

REMARKS

The Court of Appeals for the Federal Circuit has stated that, "objective indicia of nonobviousness, when present, are invariably relevant to the determination under section 103." *Litton Systems, Inc. v. Honeywell, Inc.*, 87 F.3d 1559, 1569 (Fed. Cir. 1996), citing *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 15328, 218 USPQ 871, 879 (Fed. Cir. 1983). "Objective considerations may often be the most probative and cogent evidence of nonobviousness in the record." *Id.*

In fact, the Federal Circuit has instructed that such evidence must be considered. "[E]vidence on secondary considerations must have been considered prior to reaching a conclusion on obviousness/nonobviousness." *DeMaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1391 (Fed. Cir. 1988), citing *Ashland Oil, Inc. v. Delta Resins and Refractories, Inc.*, 776 F.2d 281, 306, 227 USPQ 657, 674 (Fed. Cir. 1985), *cert. denied*, 475 US 1017, 106 S. Ct. 1201, (1986).

However, in order to acquire substantial significance in an obviousness decision, "evident of objective consideration must include a nexus to the merits of the claimed invention." *Litton Systems*, 87 F.3d at 1569, citing *Cable Electric Products v. Genmark, Inc.*, 770 F.2d 1015, 1026, 226 USPQ 881, 887 (Fed. Cir. 1985). Further in this regard, the Federal Circuit has instructed that:

When a patentee asserts that commercial success supports its contention of non-obviousness, there must of course be a sufficient relationship between the commercial success and the patented invention. The term "nexus" is often used, in this context, to designate a legally and factually sufficient connection between the proven success and the patented invention, such that the objective evidence should be considered in the determination of nonobviousness.

DeMaco Corp., 851 F.2d 1392. The Federal Circuit has further explained the nexus requirement as:

When a patentee can demonstrate commercial success, usually shown by significant sales in a relative market, and that the successful product is the invention disclosed and claimed in the patent, it is presumed that the commercial success is due to the patented invention.

JT Eaton & Co. v Atlantic Paste and Glue Co., 106 F.3d 1563, 1571 (Fed. Cir. 1997), citing *DeMaco Corp.*, 851 F.2d 1387, 1392-93.

Some of the public recognition comprises:

In 2000, *Information Week Magazine* named Progressive.com as one of the top ten "Web Sites That Work" and detailed the special merit of personal.progressive.com. Exhibit 1.

Insurance Technology OnLine reported that "Progressive.com received Gomez's Spring/Summer 2001 Internet Insurance Carrier Scorecard WebStar Award, which is given to companies receiving the number-one ranking overall for their industry in the Gomez study. . . . This was the fourth consecutive quarter in which Progressive received the WebStar award. In the most recent Gomez research, Progressive also ranked number one in the 'Ease of Use' category and was named 'Best Site for Auto Buyers'". The article mentions the advantageous "interactivity" of the site. Exhibit 2. Gomez is Gomez Advisors, Inc. based in Lincoln, Massachusetts. Through a campaign known as the Gomez Insurance Carrier Scorecard, Gomez's goal is to shepherd consumers to the Web Sites that best meet their needs. The Scorecard evaluates sites on more than 150 objective criteria which range from policy quoting, case management and ease of use. Progressive has received this award eight times.

Progressive Insurance received the prestigious CIO-100 from *CIO Magazine* by exhibiting positive business performance through innovative practices and products. Progressive was the only auto insurance company to receive the award and was recognized as the "first to introduce interactive customer service on the Web with personal.progressive.com (1998)". Exhibit 3.

Progressive has been recognized by the industry as the "first to introduce interactive, after-the-sale service on the Web through its 'personal.progressive.com' feature, the first to offer interactive quotes and buy-online capabilities, and now offers consumers wireless access to progressive.com." Exhibit 4.

The commercial success of personal.progressive.com has been overwhelming having acquired more than 1 million customers by 2002, and with over 2 million unique visitors coming to this in the first quarter of 2002. Exhibit 5. Current customer acceptance to the site comprises over 2 million visitors each month.

Such success has been readily recognized by the industry, as Exhibit 6 indicates as in a recent publication of *Insurance & Technology Magazine*.

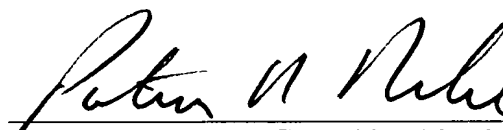
An important aspect to the personal.progressive.com Web Site is that it allows the policyholder to self-service an insurance policy in real-time in combination with an acknowledgement that the system will confirm changes back to the customer assuring completion of the transaction. Such independent adjustment without agent, underwriter or customer service representative intervention was particularly notable as a novel innovation in the industry, which innovation bears a clear nexus to numerous limitations in the pending claims.

The foregoing information evidences the tremendous commercial success of the personal.progressive.com Web Site, i.e., the commercial embodiment of the presently claimed invention. Applicant respectfully submits that the foregoing evidences the nonobviousness of the pending claims.

Respectfully submitted,

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REMARKS

The Examiner's Action

In the Action, the Examiner rejected all pending 72 claims for failing to define nonobvious subject matter over the combined teachings of four particular references, all of which have been cited and discussed at length in earlier Actions, Luchs et al., U.S. Patent No. 4,831,526 ("Luchs"), **Electric Insurance Joins Intuit's Quicken InsureMarket Offering Online Auto Policies in 6 States** ("Electric Insurance"), Hargrove, Jr. et al., U.S. Patent No. 5,897,619 ("Hargrove") and Pescitelli et al., U.S. Patent No. 5,845,256 ("Pescitelli").

The Subject Invention

For purposes of brief review, the subject invention is directed to a method and apparatus for on-line servicing of an existing insurance policy between a policyholder and an insurer, via the facilities of the Internet or other electronic communication network. Communication is directly between the policyholder and the insurer for real-time automated adjustment of policy parameters by the policyholder and without the necessity of agent/underwriter/customer service representative guidance and intervention for the benefit of the policyholder or the insurer. Thus, the system provides a substantial advantage over prior art systems by allowing unsophisticated policyholders (vs. educated and trained insurance agents or representatives) to directly communicate with their insurer about desired policy changes, and to directly effect the desired changes to their own policies, electronically and in real-time. The provision of an adjustment system which facilitates 100% policyholder-driven service and operation without agent and operator intervention or assistance provides substantial economies and efficiencies not only with regard to speed of implementation, but also with regard to cost savings. The subject invention comprises an automated system that is fully controlled and operated by the insurer's customer base and provides a substantially improved functionality for the policyholder so that the policyholder himself can independently manage the complete policy life cycle (e.g., adding or deleting vehicles or drivers, changing home addresses and garage locations, and changing limits, deductibles or coverages) without having to go to a particular agent, waiting for the agent to deal with the matter and with the insurer advising what options are available, underwriting the risk presented by the desired changes, calculating the resulting rate

change and then the policyholder making the actual adjustment decision which must be communicated back to the insurer through the agent.

The subject invention comprises a totally automated system for computation and communication of resulting cost adjustments from policyholder communication of a range of possible or actual policy parameter changes. An information module identifies the policyholder to the system and communicates to the policyholder the currently existing policy parameters. A policy adjustment module selectively communicates parameter changes made by the policyholder to the insurer's computer system using the policyholder's answers to a series of questions which are automatically selected for relevance based on prior policyholder responses. The computer then automatically underwrites the risk associated with the parameter change and generates, electronically and in real-time, the resulting policy costs attributable to the parameter change. Such cost adjustments can be communicated in the form of a quote, and if the computer is so instructed by the policyholder, the policy change and related cost adjustment can be formally submitted and implemented. A real-time acknowledgement of the adjustment is then directly communicated back to the policyholder for confirming the implementation.

The Cited References

Applicant herein incorporates by reference the preexisting distinguishing remarks concerning the teachings of the cited references and the inappropriateness of their combination against the pending claims. For purposes of brevity, Applicant will only address the new matters raised in the Examiner's "Response to Arguments" made in the Final Rejection.

The claims distinguish over the teachings of the references

All of the independent claims 1, 13, 25, 31, 37, 49, 61 and 67 include limitations emphasizing the direct communication between the policyholder and the insurer's policy server system in real-time so that the help and assistance of an insurer representative or agent are precluded. Such direct real-time communications for effecting policy adjustments is not shown individually or in combination in any of the cited references. The Examiner will appreciate that claim 1 has been amended to emphasize the direct communication to the policyholder of the acknowledgement of an

adjustment actually implemented in the policy. [This is a particular failure in the teachings of Hargrove.]

The Examiner continues to assert that Luchs teaches a type of communication that falls within the scope of "direct communication" as recited in the claims. The Examiner implies that Applicant's previous distinguishing arguments comprise a misconstruction of the claims with limitations from the specification that should not be read into the claims. However, Applicant respectfully submits that the Examiner should not apply a construction that is contrary to the intended and expressed meaning of the claim language definition of the main purpose of the invention. *Hockerson-Halburstadt, Inc. v. Avia Group International, Inc.*, 222 F.3d 951, 956 (Fed. Cir. 2000.) Both in the specification (note page 11) and in the repeated distinguishing remarks already supplied, Applicant has emphasized that "direct communication" as recited in the claims means directly between the customer/policyholder and the insurer through the on-line connection (e.g., the personal.progressive.com web site.) Accordingly, "direct" means only between two entities, the insurer and the policyholder. The Examiner continues to assert that the communication to the policyholder through an agent to the insured as taught by Luchs is a "direct communication" between a policyholder and the insurer. This is clearly not the case, and the Examiner's construction is unfounded and inappropriate. The repeated express purpose of the subject invention is to eliminate the requirement for agent or customer service involvement. To construe the claims as encompassing agent or customer service in the communication is not only incorrect and without basis, it is contradictory to the claim language as supported by the specification. Accordingly, it is respectfully submitted that there is no teaching in Luchs of the type of communication, i.e., "direct communication", as recited in the claims.

Unlike the subject invention, the Luchs system is not fully automated and clearly contemplates participation/intervention by both an agent and a company underwriter. Specifically, in Luchs, underwriting decisions and rating adjustments are made by company underwriters. In contrast, in the present invention, these decisions and adjustments are system-generated in their entirety, eliminating all agent and underwriter involvement. Thus, in Luchs, the insurer continues to manage and control the entire process, while with the present invention, the process is managed and controlled by the policyholder.

Concerning the teachings of Hargrove in combination with the teachings of Luchs, Applicant acknowledges that Hargrove teaches that a farmer may communicate with the underwriter for an insurer through an Internet on-line connection. However, there is no teaching or disclosure in Hargrove that a farmer would be able to access the Hargrove system without assistance from an agent, nor is there a teaching or disclosure concerning a module or process for identifying the user to the system. Given customer privacy concerns, and federal and state legislation protecting the privacy of insureds' information, the system in Hargrove is clearly deficient since it contains no safeguards (other than agent involvement) that would allow access to the system while ensuring the privacy of other insureds' policy information. The combination of Luchs, Hargrove, Electric Insurance and Pescitelli do not cure this substantial deficiency. These safeguards are embedded in the present invention.

Moreover, there is no disclosure in Hargrove (or in any of the other cited references, individually or in combination) of any step in which a policy change is effected without agent or underwriter involvement, or of communicating the implementation of such adjustments in the policy, along with cost adjustments therefor, back to the farmer in real-time. The Examiner's cite to column 7, lines 2-9 contains no expression of Internet communication of the policy adjustment. The statement that "the policy can be issued" does not meet the claim limitation. It is not a real-time communication without agent intervention. Rather, the express teaching of the Examiner's citation to Hargrove is that after the system has verified the information necessary for the issuance of a policy, the "agent/farmer" is somehow advised that the policy can be issued – the agent must be involved in the communication.

The Hargrove system is described as "a system which will enable the agent to correctly rate each field," and as a system "that allows the agent to obtain ... field-related data more accurately, verify that all fields are reported, and verify that FCIC and company underwriting standards have been met." [Emphasis added] The present invention not only eliminates all agent involvement, but is far more than a passive rating system. Instead, it allows the individual policyholder, without any assistance or intervention from an agent or other company representative, to modify and update his own policy, adjusting for changes in the number and identity of insured parties and vehicles and changes in policy terms and coverages throughout the life cycle of coverage.

A combination of the references comprises a network insurance communication system requiring agent intervention (Luchs), where some factual information may be directly communicated through an Internet on-line communication from the customer to the insurer (Hargrove) but that the completion of the policy adjustment, its implementation and communication can only be collectively completed through agent intervention (Luchs and Hargrove).

Moreover, there is no suggestion to combine the teachings of Luchs with Hargrove, much less to combine all four references, in such a way as to complete a policy adjustment without agent intervention. More particularly, Luchs clearly teaches an insurance communication system requiring agent intervention. Even if Hargrove can somehow be argued to disclose a system without agent intervention which Applicant does not believe is the case, nevertheless, the teachings of Luchs are opposite to the supposed teaching of Hargrove, thereby not providing any motivation to combine the aforementioned teachings. *Tec Air, Inc. v. Denso Manufacturing Michigan Inc.*, 192 F.3d 1353, 52USPQ2d 1294 (Fed. Cir. 1999). As the Federal Circuit observes in *Tec Air*:

"There is no suggestion to combine ... if a reference teaches away from its combination with another source ... 'A reference may be said to teach away when a person of ordinary skill, upon reading the reference, would be discouraged from following the path set out in the reference, or would be led in a direction divergent from the path that was taken by the applicant ... [or] if it suggests that the line of development flowing from the reference's disclosure is unlikely to be productive of the result sought by the applicant.' *In re Gurley* ... (Fed. Cir. 1994)." *Id.* F.3d at 1360 and USPQ2nd at 1298.

As recently noted by the Federal Circuit, references that teach away from the claimed invention cannot serve to create a prima facie case of obviousness. *McGinley v. Franklin Sports, Inc.*, 262 F.3d 1339, 60 USPQ2d 1001 (Fed. Cir. 2001). That is the precise situation with the attempt to combine Luchs with the purported teaching of Hargrove. As a result, the rejection of the pending claims over this asserted combination fails.

The other cited references which show kiosk purchase of an insurance policy in a location like an airport (Pescitelli) or that someone can jump on-line to compare quotes for possibly purchasing insurance policies (Electric Insurance) comprise teachings that individually or in combination with the other references fail to teach the 'direct communication' limitations of the subject invention. Applicant particularly notes that the claims require real-time communication back to the insured of the acknowledgement/confirmation of adjustments to the policyholder's policy, without agent intervention.

Online insurance rating and purchasing systems, which were pioneered by Progressive, have been in existence for several years. Note Exhibits 3 and 4 to attached Communication. Luchs, Hargrove, Electric Insurance and Pescitelli are merely variations of these now commonly available systems. Each of these systems, as well as the combination of these systems, has limited functionality. In each case, once the consumer has purchased his insurance policy, the system is of no further use and the consumer must work directly with an agent or other insurance company representative to effect desired changes in his policy, such as adding or deleting a driver; changing, adding or deleting a vehicle; changing a home address or garage location or changing policy limits, coverages or deductibles. None of the cited systems contains any underwriting functionality (*i.e.* decision on whether to insure or not to insure a given risk). That is a critical insurance function that each of the cited systems either ignores or assigns to a human being, such as an agent or a company underwriter. This critical capability is automated and included within the imbedded intelligence of the subject invention. Moreover, none of the prior systems, individually or in combination, allows the consumer to review the status of a pending claim or add information to, or correct misinformation in, his claim file. The cited references provide none of the safeguards that are necessary to protect the privacy of sensitive consumer information.

All of these deficiencies are solved with the subject invention, which allows the consumer to self-manage his policy throughout its entire life cycle, by changing the parameters of his policy at any time, without any assistance or intervention of an agent or other company representative. This is accomplished through an automated process involving the Internet and a unique hardware and software combination with the embedded capability of accomplishing these important tasks. The invention further allows the consumer to access, review, monitor and add important information to, and

modify or correct any incorrect information that is contained in, his claim file on an ongoing basis, all without the aid or intervention of an agent or other insurance company representative. The invention is therefore novel and non-obvious and, as shown in the Exhibits hereto, has generated accolades from a variety of technical writers and pundits and, perhaps more importantly, has been used to effect over 2.9 million policy endorsements, and generated over \$1 billion of revenue.

In the years that this application has been pending, the commercial embodiment (personal.progressive.com) of the subject invention has enjoyed spectacular success. It is well settled that commercial success is an important factor in a nonobviousness analysis and must be considered by the U.S. Patent and Trademark Office. *In re Huang*, 100 F.3d 135, 40 USPQ2d 1685 (Fed. Cir. 1996). The attached Declaration of Co-Inventor/Manager, Toby Alfred, and the Communication of a representative sample of the numerous industry awards and invention recognitions should assist the Examiner in his reconsideration of the application. When the "hard evidence" presented herein (and noted in *In re Huang*) is weighed against the combined teachings of the several references (a four-way combination?), Applicant believes the Examiner will appreciate that a traversal of the rejections has been achieved. Therefore, allowance of all the pending claims is merited.

CONCLUSION

The direct communication between an insured and insurer over changes to an existing policy, i.e., without the aid or intervention of a customer service representative or agent, and the "real-time" implementation of a selected change by the insured, acting alone, and its direct confirmation back to the insured, also in real-time and without the involvement of an agent or company representative, is not shown or taught in any of the references, individually or in combination.

For the foregoing reasons, it is believed this application is now in condition for allowance and early notice thereof is requested.

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Reply to Office Action of February 11, 2004

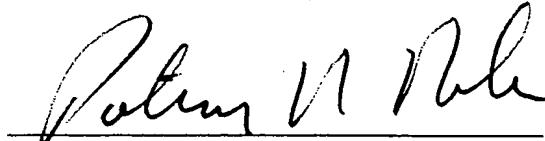
If any fee is due in conjunction with the filing of this Amendment, Applicant authorizes deduction of that fee from Deposit Account 06-0308.

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